

PINECREST DEVELOPMENTAL CENTER
OFFICE FOR CITIZENS
WITH DEVELOPMENTAL DISABILITIES
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA



PROCEDURAL REPORT
ISSUED MAY 23, 2007

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

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STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

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May 7, 2007

**PINECREST DEVELOPMENTAL CENTER
OFFICE FOR CITIZENS WITH
DEVELOPMENTAL DISABILITIES
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA
Pineville, Louisiana**

As required by Louisiana Revised Statute (R.S.) 24:513, we conducted certain procedures at the Pinecrest Developmental Center. Our procedures included (1) a review of the center's internal controls; (2) tests of financial transactions for the period from July 1, 2005, through May 7, 2007; and (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities for the period from July 1, 2005, through May 7, 2007. Our procedures were more limited than would be necessary to give an opinion on internal control and on compliance with laws, regulations, policies, and procedures governing financial activities.

Specifically, we interviewed management personnel and selected center personnel and evaluated selected documents, files, reports, systems, procedures, and policies, as we considered necessary. After analyzing the data, we developed recommendations for improvement. We then discussed our findings and recommendations with appropriate management personnel before submitting this written report.

The Annual Fiscal Reports of the Pinecrest Developmental Center were not audited or reviewed by us, and, accordingly, we do not express an opinion on these reports. The center's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

Based on the application of the procedures referred to previously, all significant findings are included in this report for management's consideration as follows.

**Failure to Make Proper Notification
of Misappropriated Assets**

Pinecrest Developmental Center failed to notify the Legislative Auditor and the Rapides Parish District Attorney of five thefts of state property costing \$2,345, two thefts of client funds valued at \$575, and two payroll fraud cases with an estimated value of \$14,033 during the two year period beginning January 29, 2005, through January 19, 2007.

R.S. 24:523 states that an agency head of an auditee who has actual knowledge of any misappropriation of the public funds or assets of his agency shall immediately notify, in writing, the Legislative Auditor and the District Attorney of the parish in which the agency is domiciled of such misappropriation. Furthermore, Medicaid Assistance Program Rule LAC 50:II Chapter 10317, B.2.d.xi adopted by the Department of Health and Hospitals states that the property of clients must be replaced by the facility. Therefore, the theft of client funds would be replaced by operating funds of Pinecrest and are therefore required to be reported in accordance with R.S. 24:523.

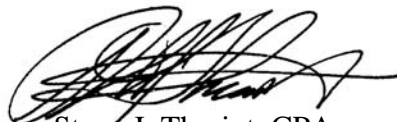
The center had informal procedures for reporting misappropriations of public funds or assets to the administrator. However, neither the administrator nor members of her management team were aware of the requirement to immediately submit written notice to the Legislative Auditor and District Attorney in accordance with state law. As a result, the center is in noncompliance with state law.

The center should immediately develop and implement formal written policies and procedures that include clear lines of responsibility for the timely reporting of all misappropriated funds or assets to the administrator and provide for the administrator or her designee to make the required notifications. Furthermore, we recommend the center establish procedures for the continuous monitoring of laws and regulations that affect the operations of the center. The procedures should require the timely notification of management of any changes that affect the operations so management can take the appropriate action to ensure compliance. Management concurred with the finding and recommendations and provided a corrective action plan (see Appendix A).

The recommendations in this report represent, in our judgment, those most likely to bring about beneficial improvements to the operations of the center. The varying nature of the recommendations, their implementation costs, and their potential impact on the operations of the center should be considered in reaching decisions on courses of action. Findings relating to the center's compliance with applicable laws and regulations should be addressed immediately by management.

This report is intended solely for the information and use of the center and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

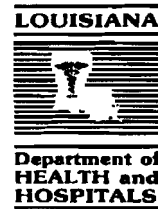
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Management's Corrective Action
Plan and Response to the
Finding and Recommendations



Kathleen Babineaux Blanco
GOVERNOR

STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS



Frederick P. Cerise, M.D. M.P.H.
SECRETARY

March 20, 2007

Mr. Steve J. Theriot, CPA
Office of Legislative Auditor
State of Louisiana
1600 North Third Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Pinecrest Developmental Center
Audit Finding: Failure to Make Proper Notification of Misappropriated Assets

Dear Mr. Theriot:

In our most recent Legislative Audit, it was cited that Pinecrest Developmental Center failed to notify the Legislative Auditor and the Rapides Parish District Attorney of five thefts of state property costing \$2,345, two thefts of client funds valued at \$575, and two payroll fraud cases with an estimated value of \$14,033 during the two year period beginning January 29, 2005 through January 19, 2007.

As Administrator of Pinecrest Developmental Center, I concur with the findings and have put a corrective action plan in place. We currently have policies that list the proper authorities to contact in the event of misappropriated assets. An employee in Administration has been designated to report any misappropriated assets to the Legislative Auditor, Rapides Parish District Attorney, and the DHH Internal Auditor.

As directed by the Medicaid Assistance Program Rule LAC 50:11 Chapter 10317, B.2.d.xi adopted by the Department of Health and Hospitals, Pinecrest has replaced the client funds totaling \$575.

If you need additional information, please contact me at (318) 641-2003.

Sincerely,

Sherri Evans
MR/DD Regional Administrator

We Support Quality of Life for All People

OFFICE FOR CITIZENS WITH DEVELOPMENTAL DISABILITIES
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